

BILL # HB 2349

TITLE: public retirees; rural areas; insurance

SPONSOR: Konopnicki

STATUS: As Amended in the House Government & Retirement Committee

REQUESTED BY: House

PREPARED BY: Timothy Sweeney

FISCAL YEAR

2004

2005

2006

EXPENDITURES

General Fund	\$-0-	\$-0-	\$320,300
Other Appropriated Funds	-0-	-0-	106,900
Total	\$-0-	\$-0-	\$427,200

FISCAL ANALYSIS

Description

HB 2349 extends the temporary retiree health insurance subsidies enacted in the 2001 Legislative Session through June 30, 2005, but reduces the subsidies by 10% in FY 2004 and by an additional 15% in FY 2005. Currently, these temporary subsidies are set to expire on June 30, 2003, and apply to members of the Arizona State Retirement System (ASRS), the Public Safety Personnel Retirement System (PSPRS), the Corrections Officer Retirement Plan (CORP), and the Elected Official Retirement Plan (EORP).

Estimated Impact

Contribution rates for ASRS, PSPRS, CORP, and EORP have already been set for FY 2004 and FY 2005, therefore there will be no fiscal impact for these two years. The Retirement systems' actuaries estimate that HB 2349 would increase ASRS contribution rates by 2 basis points (0.02%), PSPRS rates by 5 basis points (0.05%), CORP rates by 4 basis points (0.04%), and EORP rates by 18 basis points (0.18%) above current levels in FY 2006. These increases in the contribution rates will result in increased Employee Related Expenditures (ERE) for agencies in FY 2006. The table below details the ERE increase and the associated General Fund and Other Appropriated Funds impact. Employee contribution rates are fixed in PSPRS, CORP, and EORP; therefore, this bill would only impact employer contributions. In ASRS, however, this increase applies to both the employer and employee contribution rates.

<u>Retirement System</u>	<u>Additional % of Employee's Salaries Contributed</u>	<u>General Fund Impact</u>	<u>Other Appropriated Funds Impact</u>
ASRS	0.02%	\$161,300	\$80,500
PSPRS	0.05%	11,400	24,600
CORP	0.04%	121,000	-0-
EORP	0.20%	26,600	1,800
Total		\$320,300	\$106,300

The total estimated impact in FY 2006 for the four retirement systems is approximately \$320,300 from the General Fund and \$106,300 from Other Appropriated Funds.

Analysis

Currently, retirees of all 4-retirement systems receive a health insurance subsidy to help defray the costs of health insurance. In the 2001 Legislative Session, the regular subsidy amount was equalized for members of each retirement system. Additionally, in the 2001 Legislative Session a special temporary subsidy was granted to retirees in rural areas, in addition to the regular subsidy, to last through June 30, 2003. HB 2349 extends this special subsidy granted to rural retirees through June 30, 2005, but reduces the subsidy amount in FY 2004 and FY 2005. The table below displays the current subsidies received by all retirees, and the additional amount received by retirees in rural areas in FY 2003 and the reduced amounts in FY 2004 and FY 2005. The subsidy amounts received vary depending on whether the retiree has one or more dependants, and whether the retiree and/or the dependants are eligible for Medicare.

	<u>Regular Subsidy for all Retirees</u>	<u>Special Subsidy for Rural Retirees</u>	<u>HB 2349 FY 2004 Rural Retirees Subsidy</u>	<u>HB 2349 FY 2005 Rural Retirees Subsidy</u>
No Dependant, has Medicare	\$100	\$170	\$153	\$130
No Dependant, no Medicare	\$150	\$300	\$270	\$230
With Dependant(s), and Medicare	\$170	\$350	\$315	\$268
With Dependant(s), no Medicare	\$260	\$600	\$540	\$459

In previous years, some state employers have had contribution rates below the statutorily established floor of 2.0%. When this is the case, some employers may be able to absorb all, or a portion of, a rate increase associated with a benefit increase. Due to fund performances, no state employers currently have contribution rates below the 2.0% floor, therefore any rate increase will result in a cost to each state employer.

Local Government Impact

The changes proposed by HB 2349, as amended, would result in an estimated local government and non-appropriated fund impact of approximately \$1,849,300.

3/6/03